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Message Text

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ACTION IO-14

INFO OCT-01 ISO-00 USIE-00 SSO-00 L-03 FRB-03 OMB-01
ITC-01 SP-02 AGRE-00 AID-05 CIAE-00 COME-00 EB-08
INR-07 LAB-04 NSAE-00 OIC-02 SIL-01 STR-06
TRSE-00 CEA-01 SS-15 AF-10 ARA-10 EA-10 EUR-12
NEA-10 INRE-00 /126 W
----------053426 271108Z /13
O R 271036Z JAN 78
FM AMEMBASSY ROME
TO SECSTATE WASHDC IMMEDIATE 196
USMISSION GENEVA
INFO AMEMBASSY BRASILIA
AMEMBASSY DAR ES SALAAM

C O N F I D E N T I A L ROME 1647

FODAG

PASS EB FOR ADAIR

E.O. 11652: GDS
TAGS: FAO, OCON, ETRD
SUBJECT: UNCTAD PREP. MEETING ON HARD FIBERS

REF: ROME 642 (NOTAL)

1. MISSION OFFICER TALKED WITH BRITO, BRAZILIAN PERMANENT REPRESENTATIVE TO THE FAO AND CHAIRMAN OF THE UNCTAD HARD FIBER PREPARATORY COMMITTEE ABOUT THE UPCOMING UNCTAD HARD FIBERS MEETING. SINCE BRAZIL IS A LARGE PRODUCER OF SISAL AND MANUFACTURER OF TWINE, THE CONVERSATION CONCENTRATED ON SISAL AND STRONGLY REFLECTS BRAZIL'S NATIONAL INTERESTS.

2. BRITO BEGAN BY STATING THAT HE DID NOT SEE WHAT THE UNCTAD MEETING COULD DO. THE DRAFT FAO/UNCTAD DOCUMENT FOR THE MEETING STRESSES FURTHER WORK ON MARKET STABILIZATION, BUT BRAZIL DOES
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NOT WISH TO AGREE TO EITHER TWINE PRICE AGREEMENTS OR BUFFER STOCKS ARRANGEMENT. A TWINE PRICE AGREEMENT WOULD HURT BRAZIL'S COMPETITIVE ADVANTAGE OVER EUROPE'S MANUFACTURERS. THE PRICE OF TWINE IS ALREADY DANGEROUSLY HIGH IN THE US AND SISAL COULD LOSE TO SYNTHETICS IF RAISED FURTHER. BRAZIL IS NOT INTERESTED IN BUFFER STOCKS BECAUSE IT ALREADY HAS NATIONAL STOCKS AND DOES NOT WISH TO LOSE CONTROL OF STOCKS

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TO AN INTERNATIONAL AGENCY. BRITO CAUTIONED THAT AT THE
UNCTAD MEETING HE WOULD NOT BOLDLY STATE THESE POSITIONS AND
WOULD BE WILLING TO STUDY STABILIZATION MEASURES.

3. BRITO SAID THAT HE HAD HEARD THAT THE EUROPEANS WERE
CONSIDERING SOME PRODUCTION LIMITATIONS OF BOTH SISAL
AND SYNTHETIC TWINE. REPORTING OFFICER MADE CLEAR THAT THIS
MIGHT BE TRUE FOR EUROPE WHERE PRODUCTION OF SYNTHETIC AND
SISAL TWINE ARE FREQUENTLY SAME COMPANIES, BUT THE US
WOULDN'T AGREE TO SYNTHETIC PRODUCTION CONTROLS AND WITH
LITTLE OR NO SISAL SPINNING CAPACITY WE HAD NO INTEREST IN
SO DOING. BRITO AGREED THAT US MARKET WAS DIFFERENT AND
MARKET FORCES WOULD HANDLE PRODUCTION AND NOT AN
AGREEMENT UNDER UNCTAD.

4. BRITO SAID HE HAS THOUGHT OF A SISAL AGREEMENT THAT WOULD
PAY PRODUCING COUNTRIES NATIONAL STOCKS WHEN EXPORTS FELL
BELOW A CERTAIN LEVEL. THIS, HE STRESSED WAS ONLY AN IDEA
FOR POSSIBLE STUDY AND AGREED IT WAS REALLY A VARIANT OF
THE EC'S STABEX SCHEME.

5. BRITO SAID HE WOULD ATTEMPT TO STEER UNCTAD MEETING
TOWARD TECHNICAL ASSISTANCE TO SISAL TWINE PRODUCTION AS
WELL AS FAO EFFORT ON RAW SISAL PRODUCTION. ON THE REPORTS
ON THE LATTER, BRITO WAS HIGHLY CRITICAL OF EFFORT TO REDUCE
COST OF PRODUCTION IN SISAL BY SAVING ON MANPOWER N
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TANZANIA. BRITO BELIEVES EFFORT SHOULD BE TO IMPROVE
TANZANIAN HOPELESSLY INEFFICIENT SPINNING MILLS AND TO
INCREASE PRODUCTION PER ACRE USING SURPLUS LABOR. BRITO NOTES
STUDY WAS DONE BY EUROPEAN AND EFFECTS WOULD INCREASE SISAL
PRODUCTION AND LOWER COSTS. BOTH OF THESE RESULTS WOULD
HELP EUROPEAN SPINNING MILLS, BUT NOT BRAZIL'S.

6. REPORTING OFFICER QUESTIONED ADVANTAES OF DISCUSSING FAO
TECHNICAL ASSISTANCE IN UNCTAD, BUT BRITO PREFERRED IT
BECAUSE AT UNCTAD, HE FOUND A MORE OPEN MIND THAN AT FAO.
HE AGAIN CITED THE TANZANIAN EXAMPLE.

7. BRITO DODGED QUESTION OF FAO'S ROLE ON COMMODITIES
BY OBLIQUE REMARK THAT HE WAS GLAD FAO COMMODITIES COMMITTEE
DOES NOT MEETIN 1978. BRITO BELIEVES FAO COMMODITY WORK
MUST BE CHANGED, BUT THAT THESE NEW DIRECTIONS WILL ONLY
BECOME CLEAR IN 1979 WHEN THE UNCTAD PICTURE IS MORE CLEAR.
GARDNER

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